

Certified Mail

July 28, 2017

Golden Sunlight Mines, Inc.  
Attn: Chuck Buus  
453 Mt Hwy 2 East  
Whitehall, MT 59759

**Re: Final Bond Determination**

Dear Mr. Buus,

The Department of Environmental Quality (DEQ) has completed a comprehensive five-year bond review to determine whether the bonding level should be adjusted for the Golden Sunlight Mine (GSM), operated by Golden Sunlight Mines, Inc. under Operating Permit No. 00065. GSM is located near Whitehall, Montana. DEQ conducted the comprehensive five-year bond review jointly with the Department of Interior, Bureau of Land Management (BLM), which regulates GSM activities on BLM lands under federal regulations at 43 Code of Federal Regulations (CFR) 3809 et. seq.

DEQ's comprehensive five-year bond review is governed by Section 82-4-338(3), Montana Code Annotated (MCA). If DEQ's review determines that the set bonding level of a permit does not represent the present costs of compliance with the Metal Mine Reclamation Act (MMRA), the administrative rules adopted under the MMRA, and the permit, the permittee must be afforded 60 days to negotiate the preliminary bond determination with DEQ. At the end of this period, DEQ is required to publish notice of the proposed bond determination in a newspaper of general circulation in the county in which the operation is located.

Based on its review of the current GSM bond, DEQ determined that the current bonding level of \$112,153,980 does not represent the present cost of compliance with the MMRA, the administrative rules, and Operating Permit No. 00065. DEQ notes that the current bond in place uses an inflation rate of 3% and an interest rate of 6% to determine the discount rate used to calculate the long-term land and water treatment component of the reclamation bond.

During the 60-day negotiation period, DEQ, BLM and GSM reached agreement on much of the bond calculation. However, DEQ and BLM maintained that the discount rate should reflect a reduction in the inflation rate to 2% and a reduction in the interest rate to 4%.

While GSM agreed with the reduction of the inflation rate to 2%, it maintained that the interest rate should only be reduced to 5%. GSM supported its position by providing an analysis performed by Dr. Patrick Barkey, Director of the Bureau of Business and Economic Research at the University of Montana.

DEQ issued a proposed bond determination, increasing the bond for Operating Permit No. 00065 from \$112,153,980 to \$159,144,633. A major portion of the proposed bond increase resulted from a reduction in the inflation rate to 2% and a reduction in the interest rate to 4%. The proposed bond increase also reflected increased costs of equipment and personnel.

DEQ published notice of the proposed bond increase in the Whitehall Ledger, The Independent Record (Helena), the Montana Standard (Butte), The Billings Gazette, and the Great Falls Tribune. DEQ provided a 30-day period for GSM and the public to submit comments or provide additional information to DEQ and the BLM. GSM was the only entity that submitted comments to DEQ on the proposed bond determination.

In its comments on the proposed bond determination, GSM provided additional analysis performed by Dr. Patrick Barkey, to support its position that an interest rate of 5% should be used in determining the discount rate for the long-term water treatment component of the bond. DEQ staff met with representatives of GSM, including Dr. Barkey, on July 13, 2017, to discuss the issue in detail.

After reconsideration of the discount rate based on comments received on the proposed bond determination, DEQ has determined that the discount rate for the long-term water treatment component of the bond should be 2.5%, based on an inflation rate of 2% and an interest rate of 4.5%. Using this discount rate, DEQ is issuing a final bond determination of \$146,564,163. Taking into account the current bonding level of \$112,153,980, GSM is required to submit an increase in its bond of \$34,410,183. The BLM concurs with this final bond determination for GSM's federal Plan of Operations MTM-82855.

Under Section 82-4-338(3)(a), MCA, unless GSM requests a hearing as discussed below, GSM is required to post the bond increase no later than 30 days after this issuance of this final bond determination. If GSM demonstrates that, through the exercise of due diligence, it will not be able to post the bond within 30 days, DEQ is required to grant a 30-day extension of the deadline.

Under Section 82-4-338(3) (b), MCA, the permittee or any person with an interest that may be adversely affected may obtain a contested case hearing before the Board of Environmental Review under the provisions of the Montana Administrative Procedure Act on the final bond determination by filing with DEQ, within 30 days of the issuance of the final bond determination, a written request for hearing stating the reason for the request. The request for hearing must specify the amount of bond increase, if any, that the permittee considers appropriate and state the reasons that the permittee considers DEQ's final bond determination to be excessive.

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As a condition precedent to any right to request a hearing, the permittee is required to post bond with DEQ in the amount of the bond increase that the permittee has stated is appropriate in the request for hearing or the amount that is one-half of the increase contained in DEQ's final bond determination, whichever amount is greater.

Pursuant to Section 82-4-338(3)(c), MCA, if a permittee fails to post bond as provided in (3)(a) or (3)(b) in the required amounts by the required deadlines, the permit is suspended by operation of law and the permittee is required to immediately cease mining until the required bond is posted with and approved by DEQ.

DEQ used 2015 labor and equipment costs in calculating the final bond. Therefore, DEQ will conduct the next five year comprehensive bond review in 2020.

Sincerely,



Dan Walsh  
Acting Chief, Hard Rock Mining Bureau  
E-mail: [dwalsh@mt.gov](mailto:dwalsh@mt.gov)  
Telephone #: (406) 444-6791

Cc: Scott Haight, Bureau of Land Management ([shaight@blm.gov](mailto:shaight@blm.gov))

